Congressman Issa is the Ranking Member on the House Committee on Oversight and Government Ref

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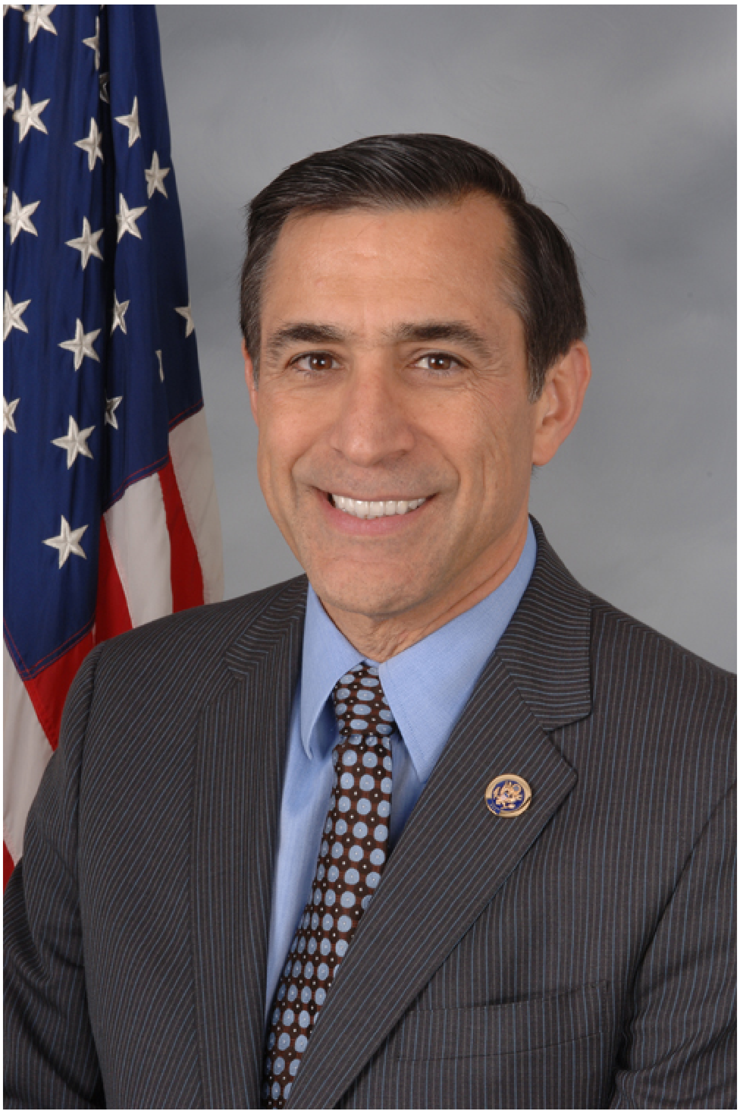

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Latest Issa Oversight News:

A Question of complicity or incompetence?

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During the height of the financial crisis in September 2008, U.S. taxpayers were told that the American International Group (AIG) needed billions of their dollars or the global economy would collapse. A crisis atmosphere, reinforced daily by both Congress and the Administration, was used to justify a hasty bailout of AIG that contained no real oversight or taxpayer safeguards. Now, $180 billion and 18 months later, taxpayers have few answers about how decisions were made to spend their money. Even worse, mounting evidence suggests that government officials told AIG to cover up important facts regarding the AIG bailout from the public.

The Federal Reserve Bank of New York — then under the direction of Treasury Secretary Tim Geithner — was placed in charge of managing the bailout to pay large financial institutions (such as Goldman Sachs, Morgan Stanley, and Societe Generale) that were counterparties on mortgages that AIG had insured. The goal was to get these toxic assets (so called credit default swaps) off of AIG's books in order to prevent bankruptcy. Many financial experts expected AIG to negotiate with the counterparties for a discounted rate, thus achieving the best possible deal for U.S. taxpayers. Instead, the New York Fed arranged to pay full price in what amounted to a backdoor bailout of large financial companies. Aware that the bailout details would anger taxpayers, the Fed applied pressure on AIG to keep the details quiet and out of all SEC filings.

Evidence obtained by the House Oversight and Government Reform Committee now demonstrates that officials at the New York Fed ordered AIG officials not to disclose details about the decision to pay the counterparties the full price. To facilitate the cover up, the Fed instructed the Special Investigator General for the Troubled Asset Relief Program (SIGTARP), Neil Barofsky, not to release documents to the Committee that would aid an ongoing investigation. Despite repeated obstructions, the Committee subpoenaed and has now obtained documents that help bring to light what happened. This week, Treasury Secretary Tim Geithner will testify before the Committee about his role.

How Secretary Geithner answers the Committee's questions will result in one of two possible interpretations of the AIG bailout and subsequent cover up by the New York Fed — neither one of which is good. Under the first scenario, Secretary Geithner was fully aware that the Fed was telling AIG to withhold the information from taxpayers and chose not to stop it, in which case the United States Treasury is now led by a man who a few months ago was complicit in a $62 billion cover up.

Under the second scenario – and perhaps the more troubling one – Secretary Geithner had no knowledge of the way that the New York Fed was handling the AIG bailout or instructing AIG to withhold information, in which case Geithner was oblivious to what was happening around him. The prospect of having a Treasury secretary who is either complicit in a cover-up on the one hand, or completely ignorant of the top-level decisions being made at an organization he leads on the other, does not bode well for a responsible government or an economic recovery.

The New York Fed instructed AIG to withhold information from American taxpayers and cover up the backdoor bailout of the large banks. After months of stalling, officials at the New York Fed will have to answer questions. This week the American people will finally begin to get some of the answers they deserve about Secretary Geithner's involvement in the $62 billion cover up.

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